

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCTS PRICE CHANGES
RATES OF GENERAL APPLICABILITY

Docket No. CP2013-3

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 5, QUESTION 1**
(November 6, 2012)

The United States Postal Service hereby provides its response to Chairman's Information Request No. 5, Question 1, which was issued on October 31, 2012. Responses were due by November 5, 2012. The question is reprinted verbatim and is followed by the Postal Service's response.

Respectfully submitted,

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1. In Docket No. CP2012-2, the Postal Service indicated: “[c]osts for Competitive Post Office Box service will be computed from a combination of specific finance number costs for projects, such as setting up the street address option and the costs associated with making physical changes to the locations. These would be reported as product specific costs, along with advertising for the product. Information Technology (IT) costs will be calculated by reporting the number of email or text notifications to customers and the average time and data transfer cost per notification.”

- a. Please describe the extent to which the Postal Service has included costs for competitive Post Office Box service in the current docket.
- b. Please describe the endeavors the Postal Service is presently undertaking to calculate costs for each of the Post Office Box service enhancements described in Response to CHIR No. 1, questions 5 and 6.

RESPONSE:

- a. The competitive Post Office Box service costs for this docket (see Supporting Files folder, workbook - P O Box Split Cost Model FY2013_v2_public.xls, filed under seal) do not explicitly contain the costs for the Post Office Box service enhancements. Such costs are being developed, as discussed in the response to part b, and the indications so far are that such costs are small relative to total costs. Moreover the process used to obtain the FY2012 and FY2013 competitive Post Office Box service costs suggests a likely overstatement of the Post Office box facility-related costs, sufficient to say that the costs included in this filing are large enough to implicitly reflect all costs for service enhancements. The likely overstatement stems from the simple application of “rollforward factors” to FY2011 costs (see tabs "2012 Cost Roll forward" and "2013 Cost Roll forward" In the PO Box workbook) These "roll-forward factors" were developed from Global Insight Indices of reported and forecasted values for Total Compensation - Civilian Workers and Rent - Residential from the July 2012 Global Insight Inflation Forecast.

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This leads to increases in facility-related costs, and fails to reflect the actual reductions of costs in custodial and maintenance personnel costs and supplies costs which occurred between FY2011 and FY2012. The Postal Service therefore believes that the cost coverage for Competitive Post Office Box service, including all costs for service enhancements, would be at least as high as stated in this docket.

b. The following is a description of the efforts underway for costing the service enhancements for Competitive Post Office Box service for the FY2012 ACR.

1) Real Mail Notification (RMN),- email or text message notification to the customer that the box has received letter or flat mail. RMN is automated by pulling data from the DBCS and flat sorters. The clerks do not send the emails/texts.

2) Street Addressing (which includes the option to receive packages from private carriers). Street addressed mail must include the box number and it is sorted with the box addressed mail. The only additional cost would be handling third party carrier packages. An estimate of these costs will be made based on the estimated number of private carrier packages delivered in FY2011, relying on data from the initial 49 sites. We also plan to identify these packages, where possible, by scanning the third party carrier labels once the Product Tracking System is upgraded.

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Note: The technology to enable customers to receive RMN and Street Addressing are integrated. In FY2012, the information technology costs to enable RMN were minimal, about \$7500. The cost of the time of the contractors to monitor and upgrade the databases was less than \$54,000. The telecommunication costs were negligible.

3) Signature on file - Signature on File involves the customer signing a PS Form 3849, Delivery Notice, which is posted in the PO Box, and then scanned whenever certain signature mail (Signature Confirmation, Express Mail, and Insured over \$200) is delivered, without the customer needing to sign each time. This likely reduces Postal Service costs by the time more than one piece of this mail is delivered.

4) 24/7 - 24/7 means that customer access to the boxes is available 7 days a week, 24 hours per day. In FY2012, the Postal Service made an administrative decision not to expend funds on post office upgrades (i.e. security countermeasures) to expand access hours at competitive locations. Instead, the Postal Service identified those competitive offices that could become 24/7 locations without expending funds.

5) Earlier uptime - Refers to an office that has moved up the time for availability of the PO Box mail by at least 30 minutes. There are no earlier uptime costs that need to be accounted for. The earlier uptime "push"

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occurred primarily in 2010 for the original 49 locations that became competitive, and there was no change in uptimes in FY2012 caused by an office's Competitive box service status. (An office might change its uptime for operational reasons unrelated to its Market-Dominant or Competitive status.)

6) No key deposit - No key deposit means that new box acquisitions do not have to provide a deposit for the first two keys. No additional costs for this feature have been identified for FY2012.

7) Baker's dozen -- Baker's Dozen is a name for the authorized provision of 13 months of service for new customers who pay the 12-month fee at signup. There are no costs associated with providing this option. There may be a reduction in cost if a customer opts for a 12 month fee instead of signing up for 6 months and then renewing.